

BEPS Actions implementation by country

Sweden



Last reviewed by Deloitte: July 2017

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

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| OECD categorisation | Definition |
|-------------------------------|---|
| Minimum standard | All G20/OECD members are committed to consistent implementation |
| Revision of existing standard | |
| Common approach | Common approaches to facilitate convergence of national practices |
| Best practice | Guidance drawing on best practices |

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Sweden.

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| Action | OECD categorisation | Notes on local country implementation | Expected timing |
|--|---------------------|---|--|
| VAT on business to customers digital services (Action 1) | Common approach | The EU VAT directive applies and is already implemented into domestic law. | 1 January 2015 |
| Hybrids (Action 2) | Common approach | <p>The government has implemented the amended EU parent-subsidiary directive into domestic legislation.</p> <p>As an EU member state, Sweden is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states, respectively. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension until 31 December 2021 for the reverse hybrid provisions).</p> <p>Sweden has chosen not to apply the articles in the multilateral instrument (MLI) related to Action 2, <i>i.e.</i> articles 3-5.</p> | <p>1 January 2016</p> <p>1 January 2020 (1 January 2022 for reverse hybrid provisions)</p> |
| CFCs (Action 3) | Best practice | Sweden already has CFC rules. It is not yet known if these will be amended. | Not yet known |
| Interest deductions (Action 4) | Common approach | As an EU member state, Sweden is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, | 1 January 2019 unless the transitional rules apply to the existing Swedish regime, in which case, 1 January 2024 |

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targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.

The government recently launched a consultation on proposed limitations on the deductibility of interest expense, based on EBIT/EBITDA. A formal proposal is expected following the close of the consultation period.

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| Harmful tax practices (Action 5) | Minimum standard | Sweden does not have a patent box regime. | N/A |
| Prevent treaty abuse (Action 6) | Minimum standard | In the MLI, Sweden has chosen to apply the principal purpose test of Article 7. Sweden has chosen not to apply any other articles in the MLI related to Action 6, i.e. articles 8-12. | See Action 15 |
| Permanent establishment status (Action 7) | Revision of existing standard | Sweden has chosen not to apply the articles in the MLI related to Action 7, i.e. articles 13-15, and has not chosen to incorporate any of these changes to any recently concluded tax treaties. There is no indication that the Swedish PE definition will be updated in accordance with Action 7. | N/A |
| Transfer pricing (Actions 8-10) | Revision of existing standard | No changes to domestic law are required since Sweden follows the OECD transfer pricing guidelines. The tax authorities have stated that Actions 8-10 do not result in any actual changes to the guidelines and, therefore, it is possible to apply the new guidance both retroactively and going forward. In recent reassessments, the Swedish tax authorities have retroactively applied guidance in Actions 8-10. This approach has not been addressed by Swedish courts. | N/A |

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| Disclosure of aggressive tax planning (Action 12) | Best practice | <p>The government is considering the introduction of legislation that would require the disclosure of aggressive tax planning in accordance with Action 12. The findings of this review will be published during 2018.</p> <p>As an EU member state, Sweden will be affected by any EU developments in this area. In June 2017, the EU Commission proposed a directive that is broadly in line with Action 12. If the directive is passed by the EU, Sweden will have to transpose corresponding rules into its domestic law.</p> | Not yet known |
| Transfer pricing documentation (Action 13) | Common approach | Sweden has implemented BEPS Action 13, and requires the master and local file documentation format for transfer pricing documentation. | Financial years starting on or after 1 April 2017 |
| CbC reporting (Action 13) | Minimum standard | <p>CbC reporting has been introduced. The CbC report must be submitted to the Swedish tax authorities within one year from the end of the reporting fiscal year (the first filing is due before 31 December 2017). Swedish entities are expected to notify the tax authorities regarding the identity and jurisdiction of the reporting entity within the reporting fiscal year.</p> <p>Sweden is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbC reports. In addition, the CbC reports will also be exchanged under the EU directive.</p> | Financial years that begin on or after 1 January 2106 |
| Dispute resolution (Action 14) | Minimum standard Complemented by best practice | <p>Sweden has chosen to apply the arbitration procedure (i.e. Part IV) in the MLI.</p> <p>As an EU member state, Sweden will be affected by any EU developments in this area. In May 2017, the EU adopted a directive that introduces an arbitration procedure. Sweden will have to transpose corresponding rules into its domestic</p> | See Action 15. |

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law.

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| Multilateral Instrument (Action 15) | Applicable across all four categories | Sweden has signed the MLI. | The implementation date is not yet known, but Sweden is expected to implement the MLI into its domestic law |
|-------------------------------------|---------------------------------------|----------------------------|---|

Unilateral BEPS Actions

None.

Other Tax Developments

None.



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